



HOUSE BILL 943: Connect NC Bond Act of 2015

2015-2016 General Assembly

Committee:	Senate Finance	Date:	September 18, 2015
Introduced by:	Committee on Rules, Calendar, and Operations of the House	Prepared by:	Dan Ettefagh Committee Counsel
Analysis of:	PCS to Fourth Edition H943-CSMCxr-22		

SUMMARY: *The PCS for House Bill 943 would authorize the issuance of \$2,000,000,000 in general obligation bonds if approved by a majority of the voters in the November 2016 election.*

BILL ANALYSIS: The PCS for House Bill 943 would, subject to a vote of the qualified voters of the State occurring in the November 2016 general election, provide for the issuance of \$2,000,000,000 of general obligation bond debt pledging the faith and credit of the State for repayment of the indebtedness for infrastructure needs of the State. The indebtedness would go to the following general categories:

- \$100,000,000 would go to a new lab for DACS.
- \$45,000,000 would go to replacing the Africa Pavilion of the North Carolina Zoological Park. Proceeds must be used for real property acquisition, new construction or rehabilitation of existing facilities, and repairs and renovations. With respect to rehabilitation, repairs, and renovations, any items purchased must have a useful life of at least 10 years or extend the life of the facility by at least 10 years.
- \$100,000,000 would go to grants and \$350,600,000 would go to low-interest loans for State programs in the Department of Environmental Quality for water and sewer improvement. Proceeds for loans and grants are allocated to the Water Infrastructure Fund and equally divided between the Drinking Water Reserve and the Wastewater Reserve, which provide grants for construction of critical needs for wastewater collection systems, wastewater treatment works, and public water system projects. Limitations on loan proceeds otherwise applicable are waived if the proceeds exceed project demand in order to allow full utilization of available funds. Priority for water/sewer proceeds must be given to projects required to be completed due to an EPA administrative order or consent decree, and such proceeds are capped as follows: (i) for grant funds from the Wastewater Reserve, the cap is the lesser of 50% of the project costs or 1/3 of the proceeds allocated to the Wastewater Reserve and (ii) for loan funds from the Wastewater Reserve, the cap is the lesser of all project costs minus grant funds received for the project or \$15,000,000.
- \$82,731,000 would go to readiness centers, armory renovations, and heli-pads for the National Guard.
- \$400,000,000 would be allocated among the constituent institutions of the NC Community Colleges system. The method of allocation of the funds is based on three factors: (i) county wealth (35%), (ii) repairs and renovations need, based on age of square footage (35%), and need for additional square footage (30%). Proceeds must be used for new construction or rehabilitation of existing facilities, and repairs and renovations. With respect to

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rehabilitation, repairs, and renovations, any items purchased must have a useful life of at least 10 years or extend the life of the facility by at least 10 years.

- \$921,669,000 would be allocated among 11 projects for new construction for the constituent institutions of the University of North Carolina.

The bill permits modification of proceeds allocation among the projects set forth specifically in the bill or among agencies or projects not listed in the bill but listed in the six-year capital improvement plan developed pursuant to G.S. 143C-8-5, provided the aggregate amount of the allocation does not exceed the \$2B of debt authorized.

All entities receiving proceeds of the bonds must report by 1/1/17 and quarterly thereafter to the Joint Legislative Oversight Committee on Capital Improvements and the appropriations committees on the projects funded (the community colleges' reports are collated and sent in by the North Carolina Community Colleges System Office). The report must include total project costs, amount funded from the bonds, expenditures to date, and the percentage of project completion.

No bonds authorized by the bill may be issued by the State Treasurer if issuance of the bond would violate the Debt Affordability Advisory Committee's recommendations on debt capacity.

Bond proceeds for escalation of costs (applicable to all projects, other than those for Community Colleges and the water/sewer loans and grants) are housed with OSBM, which may disburse them only for project-specific, unforeseen contingencies and/or inflation costs. OSBM must report to the Joint Legislative Oversight Committee on Capital Improvements on escalation funds for a project remaining within 90 days of the project's completion.

EFFECTIVE DATE: House Bill 943 is effective when it becomes law.